Introduction

The U.S. economy, although slowing from its recent robust rates of growth, continues to produce historic budget surpluses. For fiscal year 2001, the Congressional Budget Office (CBO) estimates that higher revenues linked to the growing economy will continue to outstrip spending and push the total budget surplus (including the off-budget Social Security trust funds) to $281 billion. That surplus would be the largest in history in nominal dollars and the largest since 1948 as a percentage of gross domestic product (GDP). It would also mark the first time in over a century that rising surpluses were recorded for four consecutive years. Over that span, surpluses would total more than $700 billion and federal debt held by the public would fall by roughly the same amount. CBO expects the current slowing in the economy to be short-lived and over the next 10 years projects rates of economic growth that will continue to produce rising surpluses under present policies. Under CBO's projections, those surpluses will be large enough in a few years to retire all public debt that is available for redemption.

The emergence of large surpluses has transformed the budget debate in this country. Dominated for decades by the problem of how to control persistent deficits, that discussion now centers on questions of how to use record surpluses—whether to devote them to paying down the debt, increasing spending, cutting taxes, or some combination of those three broad options. Initially, the debate over surpluses was muted by lawmakers' pledge to ensure that total budget surpluses equaled or exceeded those credited to the off-budget Social Security trust funds—a step intended to dedicate those off-budget surpluses to paying down debt. But the appearance in fiscal year 2000 of the first large on-budget surplus ($86 billion) and recent projections that show such surpluses to be not only sustained but growing during the following 10 years have intensified the debate over what to do with those funds. In fact, the recent Presidential and Congressional election campaigns focused in large part on the issue of how best to use the burgeoning surpluses, and that issue is likely to be central to consideration of the budget in the 107th Congress.

Yet despite the current budgetary prosperity and favorable outlook for the near future, uncertainties remain. The budget outlook for the next 10 years is based on economic and other assumptions that could prove to be wrong. In addition, that outlook does not reflect the major budgetary pressures that loom just beyond the 10-year budget horizon.

CBO's projections of growing surpluses depend largely on continued high levels of revenues spurred by the growing economy. Should that economy, which has already seen the longest expansion on record, perform below expectations, total revenues and surpluses would be smaller. A substantial economic downturn that lasted for some time could lower revenues dramatically, increase spending, and reduce or even eliminate surpluses altogether. Further, CBO's budget projections reflect current laws and policies, which are likely to change over the 10-year projection period. After 2012, demographic shifts tied to the aging and retirement of the baby-boom generation will create demands for spending under current policies that are projected to generate both deficits and record levels of public debt before the middle of the century.

In today's promising but uncertain fiscal environment, lawmakers may find it useful to be informed about a broad range of budgetary choices. This volume discusses the three broad categories of

Table 1.
The Budget Outlook Under Current Policies (By fiscal year, in billions of dollars)

	Actual 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total, 2002-2011
On-Budget Surplus	86	125	142	171	196	212	267	316	359	417	484	558	3,122
Off-Budget Surplus[a]	150	156	171	188	201	221	238	257	276	294	312	331	2,488
Total Surplus	236	281	313	359	397	433	505	573	635	710	796	889	5,610
Debt Held by the Public	3,410	3,148	2,848	2,509	2,131	1,714	1,251	1,128	1,039	939	878	818	n.a.
Balance of Uncommitted Funds[b]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28	466	1,003	1,608	2,338	3,164	n.a.
Net Indebtedness[c]	3,410	3,148	2,848	2,509	2,131	1,714	1,223	662	36	-669	-1,460	-2,346	n.a.
Memorandum:													
Social Security Surplus	152	157	172	188	202	221	238	257	276	294	312	331	2,490
Total Surplus as a Percentage of GDP	2.4	2.7	2.9	3.1	3.3	3.4	3.8	4.1	4.3	4.6	4.9	5.3	n.a.
Debt Held by the Public as a Percentage of GDP	34.7	30.5	26.2	21.9	17.7	13.5	9.4	8.1	7.1	6.1	5.5	4.8	n.a.

SOURCE: Congressional Budget Office.

NOTE: n.a. = not applicable.

a. Off-budget surpluses comprise surpluses in the Social Security trust funds as well as the net cash flow of the Postal Service.

b. CBO's term for the surpluses remaining in each year after paying down publicly held debt available for redemption. Uncommitted funds accumulate from one year to the next.

c. Negative net indebtedness means that the balance of uncommitted funds exceeds the remaining debt held by the public.

budget options that face lawmakers in this period of unprecedented surpluses: paying down the debt (Part One); options for spending, including enhancements and savings (Part Two); and options for revenues, including tax cuts and increases (Part Three). Each part centers on how the various policy alternatives might affect projected surpluses; however, many of the options also consider other budgetary rationales, such as reordering budgetary priorities, improving efficiency, or achieving other goals.

The Budget Outlook

CBO projects that under current policies and assumptions about the economy, total budget surpluses will continue to grow, summing to about $5.6 trillion from 2002 to 2011 (see Table 1). By 2006, surpluses would be large enough to pay off all publicly held federal debt available for redemption.[1] CBO's projections include large and growing on-budget surpluses totaling about $3.1 trillion over the next 10 years, as well as off-budget surpluses—which result almost entirely from the surpluses of the Social Security trust funds—accumulating to about $2.5 trillion. Off-budget surpluses alone would be sufficient to pay off the available debt by 2011.

1. Paying off available public debt does not mean that all outstanding federal debt will be eliminated. For example, some outstanding debt with longer maturities will not be available for redemption during the 2002-2011 period. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2002-2011* (January 2001), pp. 14-15.

CBO's projections of on-budget surpluses are based on certain levels of spending and revenues.[2] Discretionary spending (provided anew each year in appropriation acts) is estimated to grow at the rate CBO projects for inflation—a rate of growth lower than the increase in such spending since 1998 but higher than that for most of the 1990s. The projections assume no changes in mandatory spending (controlled in laws other than annual appropriation acts) or tax laws, which means, in part, that no new benefits are assumed to be added to existing entitlement programs and expiring tax breaks that are routinely extended are assumed to lapse. CBO projects that revenues will remain near historically high levels from 2002 through 2011, averaging just over 20 percent of GDP each year.

The favorable outlook for the next several years, however, is subject to considerable uncertainty. CBO's budget projections are based on economic forecasts that could turn out better or worse than expected; in addition, current budget policies are likely to change. Under alternative economic assumptions that are also reasonable, surpluses several years from now would differ from CBO's current projections by hundreds of billions of dollars a year.[3] Substantial new spending or tax cuts, in the absence of offsetting savings, could erode projected surpluses.

Since 1997, economic growth has outpaced expectations and led to significant upward revisions in CBO's projections of future surpluses. Those revisions have dwarfed the spending and revenue effects of legislation enacted during the same period, including comparatively sizable increases in annual appropriations since 1998.[4] Whether future budget projections will continue to outstrip current expectations and show even larger surpluses depends on at least two factors: whether a strong economy continues to produce federal revenues at a record clip and whether lawmakers enact major spending hikes or tax cuts of the type that were vigorously debated during the recent election campaigns.

2. For a discussion of the baseline concept, see *The Budget and Economic Outlook*, pp. 5-7.

3. See Chapter 5, "The Uncertainties of Budget Projections," in Congressional Budget Office, *The Budget and Economic Outlook*.

4. See Congressional Budget Office, *The Budget and Economic Outlook: An Update* (July 2000), p. 7.

Rationales for Budget Options

The broad options for using on-budget surpluses—paying down the debt, increasing spending, and cutting revenues—highlight a more fundamental choice facing lawmakers. Should on-budget surpluses be saved or consumed? Yet even that basic choice does not encompass the full range of budgetary decisions that lawmakers confront. Although surpluses may widen policy options, they do not by themselves justify more resources for federal programs or other activities, especially those that are ineffective, inefficient, or unnecessary. Even with a bright budget outlook in the near term, lawmakers continue to face significant choices and trade-offs among competing budgetary priorities.

Paying Down the Debt

Although the budget's near-term outlook is favorable, the aging of the population and the continued growth of health costs over the next several decades will bring about major structural shifts in the federal budget, substantially increasing the amount of resources directed toward programs for the elderly. CBO projects that spending on Social Security, Medicare, and Medicaid (which finances long-term care and other health benefits for low-income people, including the elderly) will more than double as a share of GDP, climbing from 7 percent in 1999 to almost 17 percent in 2040. And unless current policies change, substantial budget deficits will reemerge during that period, CBO projects.[5]

Saving budget surpluses to pay down federal debt held by the public is a policy option that has attracted considerable attention from policymakers and others (see Chapter 1). Public debt has fallen from about 50 percent of GDP in 1995 to about 35 percent in 2000. Continuing to reduce that debt could provide additional economic benefits and enhance policymakers' flexibility in dealing with the fiscal implications of an aging population. It could also help prepare the United States for unexpected events

5. See Congressional Budget Office, *The Long-Term Budget Outlook* (October 2000).

that might create new demands for goods and services. Paying down public debt could expand the nation's pool of savings, boost the capital stock, and raise GDP. Over time, the economy could be larger, and a greater fraction of the income it produced could be available to U.S. residents for consumption. As a result, future workers could be better able to bear the heightened burden of a graying population.

Although paying down the debt offers long-term economic benefits, it implicitly requires current generations (who will increase the size of the over-62 population by nearly 40 million from 2010 to 2040) to forgo tax cuts or spending increases. Paying down public debt could also require investors to find alternative financial instruments to replace the Treasury securities that principally make up the debt. If the government continued to run budget surpluses after available debt was paid off, it could eventually accumulate a large stock of private assets, raising important questions about the government's involvement in private businesses.

Spending Options

Some lawmakers support using on-budget surpluses to increase federal spending in high-priority areas. In particular, numerous proposals have focused on providing retirement income, health insurance, and education (see Chapter 2). Surpluses offer an opportunity to expand federal support of new initiatives in those areas, conferring potentially significant benefits but costing billions of dollars. However, the vulnerability of Social Security and Medicare to increasing cost pressure over the coming decades has also prompted spirited debate over long-term restructuring of those programs.

A period of fiscal strength also provides an opportunity to consider spending more on physical capital, scientific research, and federal information activities (see Chapter 3). Such investments can redistribute the benefits of a prosperous period over a longer span of time—or even help sustain and extend the prosperity itself. Of course, not all expenditures that are future-oriented (or characterized as such) have an adequate payoff down the road.

Many lawmakers support using a portion of the on-budget surpluses to provide additional resources for national defense. During the 1990s, following the collapse of the Warsaw Pact and the dismantling of the Soviet Union, federal spending for defense fell by about 25 percent in real (inflation-adjusted) terms. As the Soviet threat disappeared, however, the missions of the military services were redefined, with a much greater emphasis on using the armed forces for smaller-scale contingencies (such as overseas peacekeeping and police functions). Some lawmakers are concerned that the current defense budget is too low to allow the Department of Defense to carry out those new missions and still purchase the equipment needed to sustain U.S. forces in the long run. They favor restoring some of the post-Cold War cuts to help offset those burdens and improve the military's readiness (see Chapter 4).

A period of surpluses and the opportunities they offer for increased spending do not keep lawmakers from having to make trade-offs among budget priorities or to reorder those priorities. And if the budget outlook sours, lawmakers may need options for cutting spending to help preserve surpluses or to achieve other budgetary goals. For example, proposals to substantially increase funding for high-priority discretionary programs such as education and defense may have to be offset with savings elsewhere in the budget if lawmakers decide to preserve the on-budget surpluses projected under CBO's baseline. (Chapter 4 presents options for cutting defense spending, and Chapter 5 details ways to cut nondefense outlays.)

Savings may be necessary for another reason as well. The budget enforcement framework that has governed budgetary decisionmaking for the past decade—consisting of the annual limits on discretionary appropriations and the pay-as-you-go requirement for new mandatory spending and revenue laws—expires at the end of fiscal year 2002. In the 107th Congress, lawmakers face the question of whether or how to extend those disciplines. Budgetary savings may be needed to help lawmakers comply with a new or revised budget enforcement framework.

A component of such a framework may be one of the various "lockbox" proposals that lawmakers considered during the last Congress. In general, lockbox procedures are intended to prohibit the Congress from acting on legislation that would lower projected surpluses below specified levels. Offsetting savings may be needed to help meet those targets. A lockbox has been proposed to help policymakers follow through on their commitment to preserve off-budget Social Security surpluses; one has also been proposed to preserve portions of projected on-budget surpluses for Medicare and for additional debt reduction. Lockbox proposals may be high on the legislative agenda of the 107th Congress.

Options to reduce spending may also help achieve policy or programmatic goals whose primary intents differ from or have a broader scope than enacting budgetary savings. For example, some of the options in this volume could be used to reduce the size of government, limit its rate of growth, or scale back activities for which a federal role is questioned. Other alternatives would enable lawmakers to restructure programs to achieve their goals at a lower cost or eliminate programs that may have outlived their usefulness or achieved the purposes for which they were created. In some cases, changing conditions may lead to different budgetary priorities and a shift in funding from one program to another. For example, changes in defense strategy in the post-Cold War era may lead lawmakers to reduce resources for defense activities or operations that are viewed as outmoded, even as defense spending may be increased in other areas to meet new or different threats.

Some ideas for reducing programs' costs may come from performance reports required by the Government Performance and Results Act of 1993 (GPRA). GPRA directs federal agencies to establish goals for their performance and criteria for measuring progress toward those goals. The act further states that information about performance is to be incorporated in the budget process to enable lawmakers to better allocate budgetary resources. CBO attempted to use GPRA-generated information from agencies to evaluate the options in this volume. However, it found little help for that exercise in the agencies' first reports—specifically, those issued in March 2000. (Appendix A discusses GPRA and CBO's analysis in more detail.)

Revenue Options

In an environment of budget surpluses, some lawmakers believe that the overall tax burden should be eased. In recent years, proposals for broad-based tax cuts have been actively debated and were a principal focus of the 2000 election campaign. (Chapter 6 describes the tax system and discusses some of those proposals.) But lawmakers may also need options that increase revenues to help improve the functioning of the tax system, craft a consensus on overall budget priorities, make trade-offs, or achieve other budgetary goals (see Chapter 7).

The criteria for inclusion of revenue options in this volume are the three goals that guide the federal tax structure: efficiency, fairness, and simplicity. Efficiency demands that taxes distort behavior as little as possible, consistent with other objectives. That criterion often requires comparable taxation of alternative economic activities, and some revenue options would eliminate tax provisions that favor some forms of activity over others. For example, limiting the exemption for employer-paid health insurance premiums would reduce the differential tax treatment of cash and noncash compensation. Other options would correct inefficiencies that may occur in private markets by imposing taxes on undesirable activities. Taxing the emission of toxic water pollutants, for example, would encourage firms to reduce their emissions in a cost-effective manner. Another type of option would alter tax provisions whose desirable goals could be achieved more effectively in a different manner. For example, limiting to $300,000 the amount of mortgage principal that is eligible for the interest deduction would continue to encourage home ownership but at a lower cost in lost revenues.

Fairness requires that taxpayers in similar economic circumstances pay similar taxes—a principle known as horizontal equity—or that the tax burden be distributed among the various classes of income in conformance with the wishes of policymakers—vertical equity. An option that would improve horizontal equity, for example, would make investment income from life insurance and annuities taxable, thus treating those forms of income in the same way as income from other sources, such as bank accounts, taxable bonds, and mutual funds. Other options would adjust vertical equity: phasing out the child and dependent care credit, for example, would make the income tax more progressive by raising the average tax rates of higher-income taxpayers.

Lessening the tax system's complexity would reduce its administrative costs as well as the costs of compliance for taxpayers. Eliminating the alternative minimum tax, for example, would simplify the preparation of income tax returns for many taxpayers. Similarly, standardizing the ranges of income over which certain tax preferences phase out would reduce the calculations required to determine a taxpayer's eligibility for such preferences.

Using This Volume

The three parts of this report correspond to the broad alternatives proposed for using the surplus. Part One (Chapter 1) discusses the option of saving the surpluses to pay down the debt. Part Two (Chapters 2 through 5) describes spending options—both those that would boost federal spending for high priorities and those that would cut spending to help preserve the surplus or to offset the cost of new initiatives, reorder federal priorities, or serve other goals. Part Three focuses on revenue options. Paralleling Part Two, it presents options that would lower the tax burden for broad classes of taxpayers (Chapter 6) and options that would increase revenues to help save surpluses or achieve budgetary savings that might be needed for other purposes (Chapter 7).

Part One

This part of the volume discusses the benefits and costs of paying down federal debt held by the public. It also describes historical trends in federal debt, the relationship between long-term budgetary pressures and projected levels of debt, and the effects of debt reduction over the long term.

Choosing the path of reducing the debt does not imply a particular course of action or that there will be no changes in current spending or revenue policies. Indeed, if lawmakers choose to increase spending or cut taxes significantly and if the record levels of revenues seen in recent years begin to subside, they may have to make other budgetary trade-offs if they wish to preserve surpluses and continue reducing the public debt. The options for reducing spending or increasing revenues in Chapters 4, 5, and 7 may help them achieve those goals.

Part Two

Part Two discusses spending options. In general, it is divided into separate chapters that describe policy changes that would increase spending and specific options to cut costs.

Chapters 2 and 3 address a number of major proposals that have been actively debated and that would significantly change federal spending:

- Chapter 2 treats proposals that would boost resources for a variety of federal programs for retirement, health, and education. The changes proposed include ways to increase retirement income, expand Medicare benefits, subsidize the purchase of health insurance for people under age 65, and expand federal funding for education. The proposals generally involve substantial increases in federal spending; some would also impose federal mandates on the private sector and on state and local governments. The chapter also describes policies that could address the long-term budgetary pressures faced by Social Security and Medicare.

- Chapter 3 discusses proposals that would increase federal spending for capital investment (such as transportation and water systems), civilian research and development, and federal financial management and statistics.

Some of the proposals noted above would be relatively complicated to carry out. The chapters are intended to provide a basic understanding of broad policy areas and consequently do not include detailed cost estimates. Instead, they offer a context for lawmakers and others as the budget debate proceeds, providing background information and some perspectives on the proposals, evaluating their potential scope and effects, and indicating the magnitude of possible budgetary consequences.

Chapter 4, following the format of CBO's March 2000 report on defense budget options, presents an overview of specific alternatives that could be used to increase or decrease defense spending.[6] In general, the options to increase spending would provide funding to restructure military forces, modernize weapons, and improve readiness, equipment, and the quality of life of military personnel. The options to reduce defense spending would produce budgetary savings that could be used to fund new defense initiatives, shift defense priorities, or achieve other purposes. The alternatives in the chapter include estimates of annual costs or savings for each of fiscal years 2002 to 2006 and cumulative estimates for that five-year period and for the 10-year period ending in 2011. In general, those estimates are measured against the most recent Department of Defense plan as modified by lawmakers in enacting appropriations for fiscal year 2001.

Chapter 5 presents specific nondefense options that would produce budgetary savings. They are classified according to the appropriate functional categories of the budget—international affairs (150), general science, space, and technology (250), and so on. For each function, an introductory page provides summary information and data since 1990 on overall trends in mandatory and discretionary spending within that function. Each option provides some general background, discusses the pros and cons of the proposal, identifies whether it affects mandatory or discretionary spending, and estimates the annual savings for the 2002-2006 period. Cumulative savings are summed both for that five-year period and for the 10-year period that ends in 2011.

The spending options in Chapters 4 and 5 are numbered individually and include, where appropriate, references to related options in the volume and to relevant CBO publications. They are numbered according to the budget function into which they are grouped. For instance, defense options are numbered 050-01, 050-02, and so on. Closely related options are grouped together under a single number, with individual options identified by a letter suffix. As an example, option 050-16-A would reduce U.S. forces to the levels of the second Strategic Arms Reduction Treaty (START II) by 2004; option 050-16-B would reduce nuclear delivery systems within START II's overall limits.

6. Congressional Budget Office, *Budget Options for National Defense* (March 2000).

The projected savings for mandatory spending options are computed from baseline levels estimated to occur under current law. Savings for discretionary spending options are calculated from two baseline levels: current appropriations for 2001 and that level adjusted for inflation. New or increased user fees may be classified as offsets to spending (offsetting receipts or collections) or as new revenues (governmental receipts).[7]

Part Three

Part Three discusses revenue options. It is divided into a discussion of broad options that would reduce revenues (Chapter 6) and specific options that would increase them (Chapter 7).

Paralleling the format of Chapters 2 and 3, Chapter 6 contains a broad discussion of significant proposals for reducing taxes that have been actively debated and would be likely to have a sizable impact on the federal budget. It is meant to provide a basic understanding of major tax cut proposals, some context and perspective on their development, an evaluation of their possible scope and effects, and a general sense of the magnitude of possible budgetary outcomes. The discussion in Chapter 6 does not include detailed revenue estimates for the proposals; rather, it offers lawmakers and others a framework within which to consider revisions to the tax code that may be prompted by projections of surpluses and other factors.

7. The term "user fee" is not a formal budget category. It is an informal term that generally refers to collections from individuals or entities that benefit from or are regulated by some federal program; the collections are used solely to support that program. In general, if the fee supports a business-type activity, it is classified as an offset to spending. If it is based on the government's sovereign power to tax, it is classified as a revenue. User fees classified as spending offsets may be further categorized as either mandatory or discretionary, depending generally on the type of spending legislation in which the fee is included.

The options for specific revenue increases in Chapter 7 follow the format used in Chapter 5 for options to reduce spending. The revenue options are individually numbered and include references to related options elsewhere in the volume and to applicable CBO publications. Each option includes some general background, the pros and cons of the proposal, estimates of the annual revenue increase in 2002 through 2006, and the cumulative increase both for that five-year period and for the 10-year period that ends in 2011. The estimates are computed from baseline levels projected under current law.[8]

Budget Options on the Web

Like CBO's other reports, this *Budget Options* volume is available on CBO's Web site (www.cbo.gov) in multiple formats. In addition, an "interactive" version on the site offers enhanced search capability. That version allows users to search the entire volume by word or phrase. For the specific, numbered policy options in Chapters 4, 5, and 6 (including, respectively, options to reduce or increase defense spending, to cut nondefense spending, and to increase revenues), users may search by spending category (discretionary or mandatory), by budget function, and by federal agency. Those searches may be performed singly or in combination and may also be joined with searches by word or phrase. Users may also search, by budget function or word or phrase, the introductory pages in Chapters 4 and 5 that provide tables showing historical spending trends for each budget function.

Limitations of This Volume

The broad budgetary proposals and specific options discussed in this volume stem from various sources. They are derived from legislative proposals, Presidential budgets, past CBO options volumes, Congressional and CBO staff, other government entities, and private groups. The proposals and options are intended to reflect a range of possibilities; they are neither ranked nor comprehensive. The inclusion or exclusion of a particular proposal or option does not represent an endorsement or rejection by CBO. As a nonpartisan Congressional staff agency, CBO does not make policy recommendations.

Because the savings options in this volume are also intended to facilitate the case-by-case review of individual programs, they exclude certain types of governmentwide options that would produce savings in many programs or agencies. Such options would, for example, freeze or cut federal spending across the board or eliminate an entire department or major agency.

Some of the options affecting state, local, or tribal governments, or the private sector, may involve federal mandates. The Unfunded Mandates Reform Act of 1995 establishes procedures that are intended to control such mandates and requires CBO to estimate the costs of mandates imposed by new legislation that the Congress is considering. Individual options in this volume do not identify potential mandates or estimate their cost.

In calculating costs or savings for the individual options, CBO did not include changes in federal interest costs. Interest costs or savings typically are estimated as part of a comprehensive budget plan, such as the Congressional budget resolution, but such adjustments are not usually made for individual options of the type discussed in this volume.

Subsequent CBO cost estimates of legislative proposals that may resemble the options in this volume and subsequent revenue estimates by the Joint Committee on Taxation may not match the estimates shown in this report. For one thing, the policy proposals on which those later estimates are based may not precisely match the options in this volume. Further, the budget baseline estimates or levels against which the proposals ultimately are measured may have been updated and thus would differ from those used here.

8. For cost estimates of legislation that would amend the Internal Revenue Code, CBO uses estimates provided by the Joint Committee on Taxation. JCT estimated the increased revenue that would be collected as a result of all but three of the options in Chapter 7. For those options—REV-23, REV-24, and REV-25—CBO prepared the estimates.

Scorekeeping Guidelines

The Budget Enforcement Act of 1990, which established the limits on discretionary spending and the pay-as-you-go requirement, included formal scorekeeping guidelines to ensure that the budgetary effects of legislation would be measured consistently. Those guidelines are reviewed periodically by the "scorekeepers"—the House and Senate Budget Committees, the Office of Management and Budget (OMB), and CBO—who may revise them if all agree. Among other things, the guidelines specify how to score asset sales and lease purchases and how to treat legislation that crosses between the discretionary spending and pay-as-you-go enforcement categories (see Appendix B).

The guidelines, however, are subject to interpretation, and differing interpretations may affect how certain options are counted. OMB's estimates are final for the purpose of enforcing the discretionary spending limits or pay-as-you-go requirement. The estimates of CBO are advisory for those and other purposes but are generally used in the Congressional budget process.